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19 July 1967

MEMORANDUM FOR: Holders of CIA Memorandum
No. 1367/67, 13 July 1967;
Main Issues in a Middle East
Settlement

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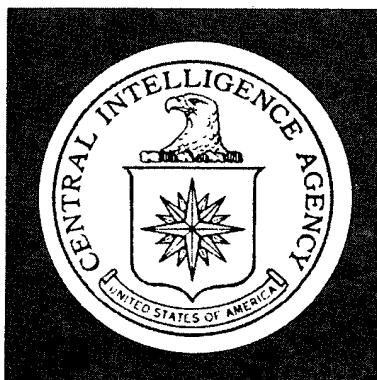
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MEMORANDUM

Special Assessments on the Middle East Situation

MAIN ISSUES IN A MIDDLE EAST SETTLEMENT

Secret

69

13 July 1967
No. 1367/67

WARNING

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CENTRAL INTELLIGENCE AGENCY
13 July 1967

Main Issues in a Middle East Settlement

Note

This paper assumes that Arab-Israeli hostilities will not be resumed, at least at any early date. It explores the main issues facing Israel and the Arabs in the post-hostilities phase. It is intended to describe briefly the respective points of view of the adversaries, the considerations which affect their attitudes, and to assess the likelihood of resolving particular issues and the terms on which this might be done; in short, to suggest where there might be some room for compromise, and where not.

I. General Considerations

1. The outlook for settlement between Arabs and Israelis is dim indeed. Their respective positions on almost all questions are poles apart and emotions are running high. Arab policy toward Israel remains adamantly hostile. For many years, no Arab leader--except Bourguiba, who scarcely counts in this context--has considered it politically possible to contemplate the recognition of Israel. The Arab leaders are fully aware of magnitude of their defeat, but they do not draw the conclusion that they must acknowledge it. Hence, anything in the nature of peace negotiations is highly unlikely. The Arabs may feel compelled to sign some form of armistice agreements, but they may for a long time resist even this step if--as is likely--the price is significant concessions to Israel. But the shock of their swift and overwhelming defeat has, for the moment, probably prevented them from making decisions on all but immediate matters, and they are reduced to hoping that international pressures will somehow force the Israelis to withdraw from occupied territory.

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2. As for the Israelis, promptly after their dramatic victory, they began talking about direct negotiations leading to Arab recognition of Israel and an overall settlement. Israel's great objectives are to break the pattern of the last two decades, to gain Arab recognition of its right to exist, and assurances against further terrorism and other harassment. There are clearly divided counsels within Israel on the strategy and tactics of achieving these goals. The hardliners, represented by Dayan, have the advantage of being identified by many Israelis as the architects of Israel's victory, and their positions have strong domestic appeal because they emphasize what Israel wants and feels it has won, with little regard to what might have to be conceded in the face of international pressures or opinion. Even if Dayan is forced out of the cabinet, Israel will probably remain largely impervious to external pressures to withdraw from occupied areas for months to come, unless there is unexpectedly quick progress toward a settlement tolerable to Israel. The short-term costs of holding captured territories are not high, around \$10 million monthly, and are more than compensated by an extraordinary influx of hard currency since early June.

3. In the longer run, however, Israel faces a painful dilemma. The Israelis may hope that the Arabs (and the Soviets) will draw the "correct" conclusion from the recent war, and that a new order will emerge in the area which will involve acceptance of the Israeli state and assurances for its security. But so far there are few indications that any such new order is emerging, and unless it does, Israel must sooner or later face the problem of how to assure its security. Eventually, Israel is probably prepared to trade much of its captured territory in return for security arrangements. Experience does not incline the Israelis to put faith in guarantees by the great powers and certainly not in the effectiveness of UN arrangements. And while the Arabs may reluctantly enter into some more formal armistice arrangements, the chances remain slight that any significant Arab leader will undertake to associate himself with the kind of binding agreements that Israel wants and feels it must have.

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4. Soviet actions will probably help to confirm the Arabs in this attitude. Nothing in the events of last month is likely to have altered the USSR's conviction that Soviet interests in the area are best served by an alignment with radical Arab forces. There have been Arab defeats and Soviet miscalculations, and the principal instruments of Soviet policy--diplomatic, economic, and military--have either been damaged or at least had their efficacy called into question. But the Soviets have maintained their strong presence in the area. They are currently engaged in a noisy campaign to convince both the Arabs and the world at large that their ability and determination to maintain this presence has not been undermined by the outcome of the recent war and that among the great powers the USSR represents the only hope for the Arabs.

5. It is true that the USSR is the only major power the radical Arab states--Egypt, Syria, and Algiers--can depend on for meaningful support. It is no less true, however, that Moscow's policies in the Middle East can only be served by the maintenance of ties with these states. For their own purposes, the Soviets and the Arabs thus need each other. In practical terms, this probably means that, within certain limits, the Soviets will in the main have to go along with Arab policies. While they would probably encourage an Arab disposition to compromise on issues such as Israeli passage of the Strait of Tiran, the Soviets would probably support Arab refusal to compromise, on most issues. For their part, the Arab states will simply have to recognize the limits on Soviet support, viz. the USSR's determination to avoid direct involvement in active hostilities or to risk seriously a confrontation with the US.

6. No matter what the Israelis offer by way of a new order in Palestine or movement on the refugee question, the Arabs will press for a return to something as close to the status quo ante as they can get. In the process, there will be intense maneuvering, not only between Arabs and Israelis, but also among the Arab states. Husayn and Nasir have neither the same interests at stake nor the same attitudes, and the Syrians are something else again.

SECRET

SECRET

In addition, there will be considerable controversy and haggling between the regional adversaries and the great powers. The overall outcome is obscure, but it is possible to isolate and analyze contrasting positions on certain of the main specific issues, and to suggest where chances of accommodation now appear best, and where they do not. The following paragraphs are not an exhaustive analysis, and it should be noted that, except in a few obvious cases, they do not explore the relationship between specific issues, i.e., how bargaining over one question might affect any negotiations over another.

SECRET

II. JERUSALEM

A. Israel's Position

Israel is moving rapidly to absorb Arab Jerusalem into its own city administration. It is asserting sovereignty over the entire city. It is prepared to concede some form of international supervision of the Christian and Muslim holy places.

B. Jordan's Position

Jordan wants the Old City returned to its control. Failing this, it could acquiesce in an internationalization of the Old City, but to surrender Jerusalem to Israeli control permanently would be politically difficult, and perhaps disastrous for Husayn.

C. Chance of Compromise

There is some slight room for compromise here. Israel is certain to reject the return of the Old City to Jordanian control, because this could deny its citizens access to the Jewish holy places. There is at most a less than even chance that Israel could be forced to relinquish the Old City to some form of international control, but it would require formidable international pressures and be a long slow battle.

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SECRET

III. WEST BANK OF JORDAN

A. Israel's Position

Though Israel will insist on some relatively minor border gains, it will almost certainly decide that it cannot absorb the entire West Bank with its 850,000 Arab inhabitants. Hence, Israel probably will push for some special arrangement for this area, possibly in the form of an autonomous state linked to Israel. Israel would probably demand demilitarization of any areas of the West Bank left under Jordanian control.

B. Jordan's Position

Jordan will undoubtedly demand return of the entire West Bank, which it probably believes necessary if Jordan is ever to become economically self-sufficient. Husayn fears that the loss of West Jordan would mean loss of his throne, too.

C. Chance of Compromise

Jordan probably would be willing to accept some border rectification, e.g. surrendering a part of the Latrun Salient. Husayn probably also would agree to arms limitation for areas of the West Bank under his control, especially if Egypt and Syria were doing the same on their borders. Such concessions would probably satisfy Israel's minimum demands in this area. Jordan would be likely to agree to an autonomous status for the West Bank only if Cairo were to agree to a comparable status for Gaza.

SECRET

-6-

SECRET

IV. THE GAZA STRIP

A. Israel's Position

Israel will resist return to Egyptian control of the Gaza Strip with its 400,000 Arabs. Israel would like to retain Gaza, if the bulk of its Arab population went elsewhere. It might offer generous terms to the local Arabs in return for their acquiescence in resettlement. Failing that, Israel might turn to some type of autonomous status, like that discussed for the West Bank, for this area, which has never been formally incorporated into Egypt.

B. Egypt's Position

Aside from a general demand to return to pre-hostilities armistice lines, Egypt has given no indication of what it might consider a suitable disposition of the Gaza Strip. Cairo would like to regain control of it, and in any case, to have a large voice in the Gaza through puppets in the various Palestine refugee organizations.

C. Chance of Compromise

It is conceivable, though hardly likely, that Egypt would agree to a UN administration of Gaza. Ultimate Egyptian policy on this issue is hard to estimate; it may depend largely on the type of government Cairo has in the next few months.

Israel, under strong outside pressure, might agree to accept international administration of the area, though not on behalf of Cairo.

SECRET

-7-

SECRET

V. ACCESS TO EILAT THROUGH THE STRAIT OF TIRAN

A. Israel's Position

Israel will insist on freedom of passage through the Strait of Tiran guaranteed either by its own physical control of at least one shore of the Strait or by an international guarantee of compelling force, i.e. one which included the US and the USSR and which specifically excluded Egyptian military domination of the Strait.

B. Egypt's Position

The Egyptians will advance the claim to control of the Strait, but without great determination. The Egyptians are aware that the USSR will not support restrictions on passage. Even during the fighting, Egypt appeared willing to concede free passage in exchange for Israeli withdrawal.

C. Chance of Compromise

The chances here look reasonably good. Israel will insist on holding the Strait by force at least until the UAR agrees to free passage. The USSR is likely to urge the UAR to give in on this point. Cairo will thus probably accede to some formula which permits Israeli access, but legally recognizes the Strait as Egyptian territorial water.

SECRET

-8-

SECRET

VI. THE SUEZ CANAL

A. Israel's Position

1. Reopening the Canal

Israel is aware that continued closure of the canal hurts Egypt's economy and is willing to put economic pressure on Egypt by keeping forces along the canal, while asserting that it would do nothing to impede navigation.

2. Israeli Transit

Israel will try to link freedom of navigation through the canal with freedom of navigation through the Strait of Tiran. Canal transit rights, however, are mainly a matter of face for the Israelis, and they will probably use the issue of canal transit as a bargaining counter. Most Israeli trade goes from its Mediterranean ports to Europe. Trade between Israel and the Far East can be handled at least as cheaply and just as readily through the Port of Eilat.

B. Egypt's Position

Egypt refuses to undertake work to clear the canal as long as Israeli troops are along its eastern edge.

Egypt will be adamant against granting Israel the right of transit.

C. Chance of Compromise

Egypt probably won't open the canal at all until Israeli troops are withdrawn at least some distance from it.

The two parties probably won't come to grips with this issue. Nasir would find it almost impossible to agree to Israeli passage. The Israelis probably recognize this situation and in the final analysis may not push this issue strongly. Compromise is possible only in the unlikely eventuality of an agreement covering several international waterways.

SECRET

-9-
SECRET

VII. SINAI

A. Israel's Position

The Israelis will hold Sinai as a bargaining position but they do not want it and in the end will consent to return almost all of it to Egyptian rule. The Israelis will probably ask for it to be demilitarized, possibly under international inspection. The Israelis may exploit oil produced from Egyptian fields as an inducement to bring the UAR to settlement.

B. Egypt's Position

Egypt will demand unconditional return of the Sinai.

C. Chance of Compromise

Nasir probably would agree to informal demilitarization, but would be likely to refuse any formal commitment on this score. Israel would be content with a demilitarized zone along its border, say 20 to 50 miles wide.

SECRET

-10-

SECRET

VIII. THE SYRIAN HIGHLANDS

A. Israel's Position

Israel is likely to insist on retaining the area it conquered on the last day of the fighting until it gets an ironclad guarantee that Syrian military forces will not return to the heights from which they can harass settlements in the Jordan valley. Such a guarantee would probably have to involve a third party, because Israel is not likely to trust any given Syrian regime's promise, knowing the usual short life-span of governments in Damascus.

B. Syria's Position

Syria will demand that Israel evacuate the entire territory. The present fanatic leadership in Syria is unlikely to agree to any form of demilitarization of this area.

C. Chance of Compromise

Chances of compromise here are very low indeed. The Syrians are capable of letting the present situation continue rather than concede anything to the Israelis on this point. Hence, odds favor Israeli occupation for an extended period.

SECRET

-11-
SECRET

IX. THE REFUGEES

(Although not a product of the late war, the status and future of some 1,300,000 Arab refugees from the 1948-49 fighting are certain to be considered in the efforts to settle Arab-Israeli problems.)

A. Israeli Position

Israel opposes return of refugees in more than small numbers, lest the ethnic balance of the state be adversely affected. Israel has floated the idea of an autonomous Arab state (the West Bank, and perhaps Gaza) which would provide place for many refugees to resettle and call home. Israel would be ready to cooperate in a scheme whereby each refugee would be given a one-time choice between repatriation and resettlement outside of Israel with compensation, as long as the process assured that the vast majority accepted the latter.

B. Arab Position

The Arabs insist that the refugees be permitted to exercise the right to choose between returning to their homes or getting compensation for land and property if they do not. Arab leaders will be reluctant to accede to a scheme which in practice permitted, say, only 10-15 percent of the refugees actually to return. A Palestine state, if established at Arab, rather than Israeli, initiative would have some support.

C. Chance of Compromise

Israeli occupation of the West Bank and Gaza may permit some progress in getting a number of refugees out of the camps. Moreover, the experience of living under Israeli control may convince others that repatriation is not an attractive option. However, the obstacles in the way of an overall resolution of the refugee problem are enormous and are probably insuperable.

SECRET

-12-

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